

# The Gazette of India

## EXTRAORDINARY PART II—Section 2 PUBLISHED BY AUTHORITY

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### LOK SABHA

The following Bills were introduced in Lok Sabha on the 31st August, 1961:—

#### \*BILL NO. 54 OF 1961

*A Bill to provide for the establishment of a corporation for the purpose of insurance of depositors and for other matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Twelfth Year of the Republic of India as follows:—

#### CHAPTER I

##### PRELIMINARY

5     1. (1) This Act may be called the Deposit Insurance Corpora-  
tion Act, 1961.

Short title,  
extent and  
commence-  
ment,

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Gov-  
ernment may, by notification in the Official Gazette, appoint.

10     2. In this Act, unless the context otherwise requires,—

Definitions.

(a) “banking” means the accepting, for the purpose of  
lending or investment, of deposits of money from the public,  
repayable on demand or otherwise, and withdrawable by cheque,  
draft, order or otherwise;

15     (b) “banking company” means any company which tran-  
sacts the business of banking in India and includes the State  
Bank, a subsidiary bank and any other banking institution

\*The President has, in pursuance of clause (1) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha the introduction of the Bill.

notified under section 51 of the Banking Companies Act, 1949, but does not include the Madras Industrial Investment Corporation Limited.

10 of 1949.

*Explanation.*—Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;

(c) "Board" means the Board of directors constituted under section 6;

(d) "company" means any company as defined in section 3 of the Companies Act, 1956, and includes a foreign company within the meaning of section 591 of that Act;

1 of 1956.

(e) "Corporation" means the Deposit Insurance Corporation established under section 3;

(f) "defunct banking company" means a banking company—

(i) which has been prohibited from receiving fresh deposits; or

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(ii) which has been ordered to be wound up; or

(iii) which has transferred all its deposit liabilities in India to any other institution; or

(iv) which has ceased to be a banking company within the meaning of sub-section (2) of section 36A of the Banking Companies Act, 1949, or has converted itself into a non-banking company; or

25 10 of 1949.

(v) in respect of which a liquidator has been appointed in pursuance of a resolution for the voluntary winding up of its affairs; or

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(vi) in respect of which any scheme of compromise or arrangement or of reconstruction has been sanctioned by any competent authority and the said scheme does not permit the acceptance of fresh deposits; or

(vii) which has been granted a moratorium which is in operation; or

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(viii) in respect of which an application for the winding up of its affairs is pending in a competent court.

(g) "deposit" means the aggregate of the unpaid balances due to a depositor (other than a foreign Government, the Central Government, a State Government or a banking company) in respect of all his accounts, by whatever name called, with a banking company and includes credit balances in any cash credit account but does not include,—

(i) where a banking company at the commencement of this Act is working under a scheme of compromise or arrangement or of reconstruction sanctioned by any competent authority providing for the acceptance of fresh deposits, any amount due to the depositor in respect of his deposit before the date of the coming into force of the scheme to the extent it is not credited after the said date under the provisions of that scheme; or

(ii) any amount due on account of any deposit received outside India;

(h) "existing banking company" means a banking company carrying on the business of banking at the commencement of this Act which either holds a licence at such commencement under section 22 of the Banking Companies Act, 1949 or having applied for such licence has not been informed by notice in writing by the Reserve Bank that a licence cannot be granted to it and includes the State Bank and a subsidiary bank, but does not include a defunct banking company;

(i) "insured bank" means a banking company for the time being registered under the provisions of this Act and includes for the purposes of sections 16, 17, 18 and 21 a banking company referred to in clause (a) or clause (b) of sub-section (1) of section 13 the registration whereof has been cancelled under that sub-section;

(j) "insured deposit" means the deposit or any portion thereof the repayment whereof is insured by the Corporation under the provisions of this Act;

(k) "new banking company" means a banking company which begins to transact the business of banking after the commencement of this Act under a licence granted to it under section 22 of the Banking Companies Act, 1949, and includes any banking institution notified under section 51 of the said Act after such commencement.

(l) "premium" means the sum payable by an insured bank under section 15 of this Act;

(m) "prescribed" means prescribed by regulations made under this Act;

(n) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934; 2 of 1934.

(o) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955; 23 of 1955.

(p) "subsidiary bank" shall have the meaning assigned to it in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959. 38 of 1959.

## CHAPTER II

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### ESTABLISHMENT AND MANAGEMENT OF THE DEPOSIT INSURANCE CORPORATION

Establishment and incorporation of Deposit Insurance Corporation.

3. (1) The Central Government shall, by notification in the Official Gazette, establish a Corporation by the name of the Deposit Insurance Corporation which shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold or dispose of property and to contract, and may, by the said name, sue or be sued. 15

(2) The head office of the Corporation shall be at Bombay, but it may, with the previous sanction of the Reserve Bank, establish branches or agencies in any other place in India. 20

Capital of Corporation.

4. The authorised capital of the Corporation shall be one crore of rupees, which shall be fully paid-up and shall stand allotted to the Reserve Bank.

Management of Corporation.

5. The general superintendence, direction and the management of the affairs and business of the Corporation shall vest in a Board of directors which may exercise all powers and do all acts and things which may be exercised or done by the Corporation. 25

Board of directors.

6. (1) The Board of directors of the Corporation shall consist of the following, namely:— 30

(a) the Governor for the time being of the Reserve Bank, who shall be the Chairman of the Board;

(b) a Deputy Governor of the Reserve Bank nominated by that bank;

(c) an officer of the Central Government nominated by that Government; 35

(d) two directors nominated by the Central Government in consultation with the Reserve Bank having special knowledge of commercial banking or of commerce, industry or finance, neither of whom shall be an officer of Government or of the Reserve Bank or an officer or other employee of the Corporation or a director, an officer or other employee of a banking company or otherwise actively connected with a banking company.

(2) A director nominated under clause (b) or clause (c) of sub-section (1) shall hold office during the pleasure of the authority nominating him and a director nominated under clause (d) of sub-section (1) shall hold office for such period not exceeding four years as may be specified by the Central Government.

(3) A person shall not be capable of being nominated as a director under clause (d) of sub-section (1) if—

(a) he has been removed or dismissed from the service of Government or of a local authority or of a corporation or company in which not less than fifty-one per cent. of the paid-up share capital is held by Government; or

(b) he is or at any time has been adjudicated as insolvent or has suspended payment of his debts or has compounded with his creditors; or

(c) he is of unsound mind and stands so declared by a competent court; or

(d) he has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude.

(4) If a director nominated under clause (d) of sub-section (1)—

(a) becomes subject to any of the disqualifications mentioned in clauses (a) to (d) of sub-section (3);

(b) is absent without leave of the Board for more than three consecutive meetings thereof; or

(c) becomes a director or an officer or an employee of an insured bank; or

(d) becomes an officer or other employee of Government or of the Reserve Bank or of the Corporation;

his seat shall thereupon become vacant.

Meetings of Board.

7. (1) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) The Chairman or, if for any reason he is unable to attend, the director nominated under clause (b) of sub-section (1) of section 6 shall preside at meetings of the Board and, in the event of equality of votes, shall have a second or casting vote.

Committees of Corporation.

8. (1) The Board may constitute an Executive Committee consisting of such number of directors as may be prescribed.

(2) The Executive Committee shall discharge such functions as may be prescribed or may be delegated to it by the Board.

(3) The Board may constitute such other committees, whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons as it thinks fit for the purpose of discharging such of its functions as may be prescribed or may be delegated to them by the Board.

(4) A committee constituted under this section shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

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(5) The members of a committee (other than directors of the Board) shall be paid by the Corporation such fees and allowances for attending its meetings and for attending to any other work of the Corporation as may be prescribed.

Fees and allowances of directors.

9. The directors of the Board shall be paid by the Corporation such fees and allowances for attending the meetings of the Board or of any of its committees and for attending to any other work of the Corporation as may be prescribed:

Provided that no fees shall be payable to the Chairman or to the director nominated under clause (b) or clause (c) of sub-section (1) of section 6.

### CHAPTER III

#### REGISTRATION OF BANKING COMPANIES AS INSURED BANKS AND LIABILITY OF CORPORATION TO DEPOSITORS

Registration of existing banking companies.

10. The Corporation shall register every existing banking company as an insured bank before the expiry of thirty days from the date of commencement of this Act.

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11. The Corporation shall register every new banking company as an insured bank as soon as may be after it is granted a licence under section 22 of the Banking Companies Act, 1949, or, as the case may be, after it is notified under section 51 of the said Act.

Registration  
of new  
banking  
companies.

12. Every banking company, being a defunct banking company at the commencement of this Act, by reason of sub-clause (vii) or sub-clause (viii) of clause (f) of section 2 shall, unless it becomes a defunct banking company under any other sub-clause of that clause, be registered by the Corporation as an insured bank as soon as may be after the termination of the order of moratorium or, as the case may be, the rejection of the application for its winding up.

Registration  
of defunct  
banking  
companies.

13. The registration of a banking company as an insured bank shall stand cancelled on the occurrence of any of the following events, namely:—

Cancellation  
of registra-  
tion.

(a) if it has been prohibited from receiving fresh deposits;  
or

(b) if it has been informed by notice in writing by the Reserve Bank that its licence has been cancelled under section 22 of the Banking Companies Act, 1949, or that a licence under that section cannot be granted to it; or

(c) if it has been ordered to be wound up; or

(d) if it has transferred all its deposit liabilities in India to any other institution; or

(e) if it has ceased to be a banking company within the meaning of sub-section (2) of section 36A of the Banking Companies Act, 1949, or has converted itself into a non-banking company; or

(f) if a liquidator has been appointed in pursuance of a resolution for the voluntary winding up of its affairs; or

(g) if in respect of it any scheme of compromise or arrangement or of reconstruction has been sanctioned by any competent authority and the said scheme does not permit the acceptance of fresh deposits; or

(h) if it has been amalgamated with any other banking institution.

Intimation  
of registra-  
tion.

14. (1) Where the Corporation has registered any banking company as an insured bank, it shall, within thirty days of its registration, send an intimation in writing to the banking company that it has been registered as an insured bank.

(2) Every such intimation shall indicate the manner in which the premium payable by the bank under section 15 may be calculated.

Premium.

15. (1) Every insured bank shall, so long as it continues to be registered, be liable to pay a premium to the Corporation on its deposits at such rate or rates as may, with the previous approval of the Central Government, be notified by the Corporation in the Official Gazette from time to time:

Provided that the premium payable by any insured bank for any period shall not exceed fifteen naye paise per annum for every hundred rupees of the total amount of the deposits in that bank at the end of that period or, where its registration has been cancelled during that period, on the date of its cancellation:

Provided further that where the registration of any insured bank is cancelled under section 13, such cancellation shall not affect the liability of that bank for payment of premium for the period before such cancellation and of any interest due under the provisions of this section.

(2) The premium shall be payable for such periods, at such times and in such manner as may be prescribed.

(3) If an insured bank makes any default in payment of any amount of premium, it shall, for the period of such default, be liable to pay to the Corporation interest on such amount at such rate not exceeding eight per cent. per annum as may be prescribed.

Liability of  
Corporation  
in respect of  
insured  
deposits.

16. (1) Where an order for the winding up or liquidation of an insured bank is made, the Corporation shall, subject to the other provisions of this Act, be liable to pay to every depositor of that bank in accordance with the provisions of section 17 an amount equal to the amount due to him in respect of his deposit in that bank at the time when such order is made:

Provided that the liability of the Corporation in respect of an insured bank referred to in clause (a) or clause (b) of section 13 shall be limited to the deposits as on the date of the cancellation of the registration:



Provided further that the total amount payable by the Corporation to any one depositor in respect of his deposit in that bank in the same capacity and in the same right shall not exceed one thousand and five hundred rupees:

5 Provided further that the Corporation may, from time to time, having regard to its financial position and to the interests of the banking system of the country as a whole, raise, with the previous approval of the Central Government, the aforesaid limit of one thousand and five hundred rupees.

10 (2) Where in respect of an insured bank a scheme of compromise or arrangement or of reconstruction or amalgamation has been sanctioned by any competent authority and the said scheme provides for each depositor being paid or credited with, on the date on which the scheme comes into force, an amount which is less than the original  
15 amount and also the specified amount, the Corporation shall be liable to pay to every such depositor in accordance with the provisions of section 18 an amount equivalent to the difference between the amount so paid or credited and the original amount, or the difference between the amount so paid or credited and the specified amount, whichever is  
20 less:

Provided that where any such scheme also provides that any payment made to a depositor before the coming into force of the scheme shall be reckoned towards the payment due to him under that scheme, then the scheme shall be deemed to have provided for that payment  
25 being made on the date of its coming into force.

(3) For the purposes of this section, the amount of a deposit shall be determined after deducting therefrom any ascertained sum of money which the insured bank may be legally entitled to claim by way of set off against the depositor in the same capacity and in the  
30 same right.

(4) In this section,—

(a) "original amount" in relation to a depositor means the total amount due by the insured bank immediately before the date of coming into force of the scheme of compromise or arrangement  
35 or, as the case may be, of reconstruction or amalgamation to the depositor in respect of his deposit in the bank in the same capacity and in the same right:

Provided that where under the proviso to sub-section (2), the scheme is deemed to have provided for any payment being  
40 made on the date of its coming into force, the amount of such payment shall be included in calculating the original amount;

.(b) "specified amount" means one thousand and five hundred rupees, or, as the case may be, the amount fixed by the Board under the third proviso to sub-section (1).

Manner of payment by Corporation in case of winding up of insured banks.

17. (1) Where an insured bank has been ordered to be wound up or to be taken into liquidation and a liquidator, by whatever name called, has been appointed in respect thereof, the liquidator shall, with the least possible delay and in any case not later than three months from the date of his assuming charge of office, furnish to the Corporation a list in such form and manner as may be specified by the Corporation showing separately the deposits in respect of each depositor and the amounts of set off referred to in sub-section (3) of section 16, 10

(2) Before the expiry of two months from the receipt of such list from the liquidator, the Corporation shall pay to each depositor of the insured bank in respect of his deposit the amount payable under section 16 either directly or through the liquidator or through any other agency as the Corporation may determine. 15

Manner of payment by Corporation in case of scheme of compromise or arrangement or of reconstruction or amalgamation in respect of an insured bank.

18. (1) Where a scheme of amalgamation of any insured bank with any other banking institution (hereinafter referred to as the transferee bank) or a scheme of compromise or arrangement or of reconstruction in respect of such bank has been sanctioned and the Corporation has become liable to pay to depositors of the insured bank under sub-section (2) of section 16, the transferee bank where the scheme is of amalgamation and the insured bank in any other case shall, with the least possible delay and in any case not later than three months from the date on which such scheme takes effect, furnish to the Corporation a list in such form and manner as may be specified by the Corporation and certified to be correct by the chief executive officer of the transferee bank or, as the case may be, of the insured bank showing separately deposits in respect of each depositor and the amounts of set off referred to in sub-section (3) of section 16 and also the amounts paid or credited or deemed to have been paid under the scheme. 20 25 30

(2) Before the expiry of two months from the receipt of such list, the Corporation shall pay the amount payable under section 16 either directly to the depositor or to the transferee bank or the insured bank for being credited in his account. 35

Discharge of the liability of Corporation.

19. Any amount paid by the Corporation under section 17 or section 18 in respect of a deposit shall, to the extent of the amount paid, discharge the Corporation from its liability in respect of that deposit. 40

20. Where any depositor to whom any payment is to be made in accordance with the provisions of section 17 or section 18 cannot be found or is not readily traceable, adequate provision shall be made by the Corporation for such payment and the amount of such provision shall be accounted for separately in its books.

Provision  
for unpaid  
amounts.

21. (1) Where any amount has been paid under section 17 or section 18 or any provision therefor has been made under section 20, the Corporation shall furnish to the liquidator or to the insured bank or to the transferee bank, as the case may be, information as regards the amount so paid or provided for.

Repayment  
of the  
amount to  
Corporation.

(2) On receipt of the information under sub-section (1), notwithstanding anything to the contrary contained in any other law for the time being in force,—

(a) the liquidator shall, within such time and in such manner as may be prescribed, repay to the Corporation out of the amount, if any, payable by him in respect of any deposit such sum or sums as make up the amount paid or provided for by the Corporation in respect of that deposit;

(b) the insured bank or, as the case may be, the transferee bank shall, within such time and in such manner as may be prescribed, repay to the Corporation out of the amount, if any, to be paid or credited in respect of any deposit after the date of the coming into force of the scheme referred to in section 18, such sum or sums as make up the amount paid or provided for by the Corporation in respect of that deposit.

## CHAPTER IV

### FUNDS, ACCOUNTS AND AUDIT

22. The Corporation shall maintain two funds to be called respectively the Deposit Insurance Fund and the General Fund.

Funds of  
Corporation.

23. (1) To the Deposit Insurance Fund shall be credited,—

Deposit  
Insurance  
Fund.

- (a) all amounts received by the Corporation as premium;
- (b) all amounts received by the Corporation under section 21;

(c) the amount advanced by the Reserve Bank under section 26;

(d) all amounts transferred to that Fund from the General Fund under section 27; and

(e) all income arising from the investments made out of that Fund.

(2) The said Fund shall be applied—

(a) to make payments in respect of insured deposits;

(b) to meet liability in respect of an advance taken under section 26; and

(c) to meet liability in respect of the amounts referred to in clause (d) of sub-section (1).

General Fund.

24. All receipts of the Corporation other than those referred to in sub-section (1) of section 23 shall be credited to the General Fund and all payments by the Corporation other than those referred to in sub-section (2) of that section shall be made out of that Fund. 10

Investment.

25. All moneys belonging to the Deposit Insurance Fund or the General Fund which may not for the time being be required by the Corporation shall be invested in promissory notes, stock or securities of the Central Government and all other moneys shall be deposited with the Reserve Bank. 15

Advances by Reserve Bank.

26. (1) The Reserve Bank shall, from time to time, advance to the Corporation on a request by it such sum or sums as may be required by the Corporation for the purposes of the Deposit Insurance Fund:

Provided that the total amount outstanding at any one time on account of such advances shall not exceed five crores of rupees 20

(2) The terms and conditions of any advance under this section shall be such as may be determined by the Reserve Bank with the approval of the Central Government.

Advance from General Fund to Deposit Insurance Fund.

27. If at any time the amount available in the Deposit Insurance Fund is insufficient to meet the requirements of that Fund, the Corporation may transfer from the General Fund such amount as may be necessary to meet the requirements of the Deposit Insurance Fund on such terms and for such period as may be determined by the Board with the approval of the Reserve Bank. 25 30

of balance-sheet, etc., by Corporation.

28. (1) The balance-sheet and accounts of the Corporation shall be prepared and maintained in such form and manner as may be prescribed.

(2) The Board shall cause the books and accounts of the Corporation to be balanced and closed as on the 31st day of December, each year. 35

1 of 1956.

29. (1) The affairs of the Corporation shall be audited by an **Audit.** auditor duly qualified to act as an auditor under sub-section (1) of section 226 of the Companies Act, 1956, who shall be appointed by the Board with the previous approval of the Reserve Bank and shall  
5 receive such remuneration from the Corporation as the Reserve Bank may fix.

(2) The auditor shall be supplied with a copy of the annual balance-sheet of the Corporation and it shall be his duty to examine it together with the accounts and vouchers relating  
10 thereto and he shall have a list delivered to him of all books kept by the Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Corporation and may, in relation to such accounts, examine any director of the Board or any officer or employee of the Corporation.

15 (3) The auditor shall make a report to the Corporation upon the annual balance sheet and accounts and in every such report he shall state whether in his opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and correct view of the state of  
20 affairs of the Corporation and in case he had called for any explanation or information from the Board, whether it has been given and whether it is satisfactory.

(4) Without prejudice to anything contained in the preceding sub-sections, the Central Government may at any time appoint the  
25 Comptroller and Auditor-General of India to examine and report upon the accounts of the Corporation, and any expenditure incurred by him in connection with such examination and report shall be payable by the Corporation to the Comptroller and Auditor-General of India.

11 of 1922.

30 30. Notwithstanding anything contained in the Indian Income-tax Act, 1922 or any other enactment for the time being in force relating to income-tax or super-tax, the Corporation shall not be  
Income-tax and super-tax.  
liable to pay income-tax or super-tax on any of its income, profits or gains for the accounting year during which the Corporation is  
35 established and for four accounting years following that year.

31. After making provision for all its liabilities and for all other matters for which provision is necessary or expedient, including  
Reserve fund.  
any contribution to the staff and superannuation funds, the Corporation shall transfer the balance, if any, of its income in its General  
40 Fund to one or more reserve funds to be utilised in such manner and for such purposes as the Corporation may deem fit.

Annual  
accounts and  
reports.

32. (1) The Corporation shall furnish to the Reserve Bank within three months from the date on which its accounts are balanced and closed the balance sheet and accounts together with the auditor's report and a report of the working of the Corporation during the year and copies of the said balance-sheet and accounts and reports shall be furnished by the Corporation to the Central Government. 5

(2) The Central Government shall cause every auditor's report and report of the working of the Corporation to be laid for not less than thirty days before each House of Parliament as soon as may be after each such report is received by the Central Government. 10

## CHAPTER V

### MISCELLANEOUS

Staff of  
Corporation.

33. (1) The Corporation may appoint such number of officers and employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment and service. 15

(2) Without prejudice to the provisions of sub-section (1), it shall be lawful for the Corporation to utilise, and for the Reserve Bank to make available, the services of such staff of the Reserve Bank on such terms and conditions as may be agreed upon between the Corporation and the Reserve Bank. 20

Returns from  
insured  
banks.

34. (1) Notwithstanding anything contained in the Banking Companies Act, 1949, or any other law for the time being in force the Corporation may at any time direct an insured bank to furnish to it, within such time as may be specified by the Corporation, such statements and information relating to the deposits in that bank as the Corporation may consider necessary or expedient to obtain for the purposes of this Act. 25 10 of 1949. 30

(2) The Corporation may, if it considers it expedient and after consulting the Reserve Bank, publish any information obtained by it under this section in such consolidated form as it may think fit.

Corporation  
to have  
access to  
records.

35. (1) The Corporation shall have free access to all such records of an insured bank perusal whereof may appear to the Corporation to be necessary for the discharge of its functions under this Act. 35

(2) The Corporation may require any insured bank to furnish to it copies of any of the records referred to in sub-section (1) and the bank shall be bound to comply with the requisition.

36. (1) The Corporation may for any of the purposes of this Act request the Reserve Bank to cause an inspection of the books and accounts or an investigation of the affairs of an insured bank to be made and on such request the Reserve Bank shall cause such inspection or investigation to be made by one or more of its officers.

Inspection  
of insured  
banks by  
Reserve  
Bank.

10 of 1949.

(2) The provisions of sub-section (2) and sub-section (3) of section 35 of the Banking Companies Act, 1949 shall apply to an inspection or investigation under sub-section (1) as they apply to an inspection under that section.

10 (3) When an inspection or investigation has been made under this section, the Reserve Bank shall furnish a copy of its report to the Corporation and neither the bank inspected or investigated nor any other bank shall be entitled to be furnished with a copy of such report.

15 (4) Notwithstanding anything contained in any law for the time being in force, no court, tribunal or other authority shall compel the production or disclosure of a report under this section or of information or material gathered during the course of an inspection or investigation under this section.

20 37. The Corporation shall, on a request in writing from the Reserve Bank, furnish to it within such time as may be specified by the Reserve Bank, such statements and information relating to the business or affairs of the Corporation or of an insured bank as the Reserve Bank may consider necessary or expedient.

Corporation  
to furnish  
information  
to Reserve  
Bank.

25 38. The Reserve Bank shall, on a request in writing from the Corporation, furnish to it any report or information relating to an insured bank made or obtained by it under or in pursuance of the Reserve Bank of India Act, 1934 or the Banking Companies Act, 1949.

2 of 1934.  
10 of 1949.

Reserve  
Bank to  
furnish in-  
formation to  
Corporation.

30 39. Every director, auditor, officer or other employee of the Corporation or an employee of the Reserve Bank whose services are utilised by the Corporation under sub-section (2) of section 33 shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule to this Act.

Declaration  
of fidelity  
and secrecy.

35 40. (1) Every director of the Board shall be indemnified by the Corporation against all losses and expenses incurred by him in, or in relation to, the discharge of his duties except such as are caused by his own wilful act or default.

Indemnity of  
directors.

(2) A director of the Board shall not be responsible for any other director or for any other officer or other employee of the Corporation, or for any loss or expenses resulting to the Corporation from

the insufficiency or deficiency of value of or title to any property or security acquired or taken on behalf of the Corporation or the insolvency or wrongful act of any debtor or any person under obligation to the Corporation or anything done in good faith in the execution of the duties of his office or in relation thereto.

5

Defects in appointments not to invalidate acts, etc.

41. (1) No act or proceeding of the Board or of any committee of the Corporation shall be questioned on the ground merely of the existence of any vacancy or defect in the constitution of the Board or committee.

(2) No act done by any person acting in good faith as a director of the Board shall be deemed to be invalid merely on the ground that he was disqualified to be a director or that there was any other defect in his appointment.

Protection of action taken under this Act.

42. No suit or other legal proceeding shall lie against the Corporation or the Reserve Bank or any director of the Board or any officer of the Corporation or the Reserve Bank or any other person authorised by the Corporation to discharge any functions under this Act for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act.

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Companies Act 1956 and Insurance Act, 1938 not to apply.

43. Nothing in the Companies Act, 1956 or the Insurance Act, 1938, shall apply to the Corporation.

1 of 1956.  
4 of 1938.

Liquidation of Corporation.

44. (1) The Corporation shall not be placed in liquidation save by order of the Central Government and in such manner as that Government may direct.

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(2) On the liquidation of the Corporation—

(a) the outstanding assets of the Corporation in so far as they relate to the Deposit Insurance Fund shall be distributed among the insured banks in such manner and in such proportion as may be determined by the Central Government having regard to the amounts of premium paid by them during any prescribed period or the deposits of the said banks as on the date of liquidation of the Corporation or other relevant circumstances;

(b) the remaining outstanding assets of the Corporation shall be transferred to the Reserve Bank.

Power of Central Government to give directions.

45. In the discharge of its functions under this Act, the Corporation shall be guided by such directions in matters of policy involving public interest as the Central Government may after consulting the Reserve Bank give to it in writing, and if any question arises

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whether the direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

46. Any dispute as to the amount of premium due from any insured bank shall be decided by the Central Government and the decision of that Government shall be final. <sup>Dispute as to amount of premium.</sup>

47. (1) Whoever in any return, balance-sheet, or other document or in any information required or furnished by or under or for the purposes of any provision of this Act, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine. <sup>Penalties.</sup>

(2) If any person fails to produce any book, account or other document, or to furnish any statement or information which, under the provisions of this Act, it is his duty to produce or furnish, he shall be punishable with a fine which may extend to two thousand rupees in respect of each offence and in the case of a continuing failure, with an additional fine which may extend to one hundred rupees for every day during which the failure continues after conviction for the first such failure.

48. (1) Where an offence has been committed by a company, every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. <sup>Offences by companies.</sup>

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any gross negligence on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

*Explanation.*—For the purposes of this section,—

(a) “company” means any body corporate and includes, a firm or other association of individuals; and

(b) “director” in relation to a firm, means a partner in the firm.

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Cognizance  
of offences.

49. No court shall take cognizance of any offence punishable under this Act except upon a complaint in writing made by an officer of the Corporation generally or specially authorised in writing in this behalf by the Board and no court inferior to that of a Presidency Magistrate or a Magistrate of the First Class shall try any such offence.

Regulations.

50. (1) The Board may, with the previous approval of the Reserve Bank, make regulations not inconsistent with this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

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(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the times and places of the meetings of the Board or of any committee constituted under this Act and the procedure to be followed at such meetings including the quorum necessary for the transaction of business;

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(b) the number of directors constituting an Executive Committee, and the functions that such committee shall discharge;

(c) the functions which any other committee may discharge under this Act;

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(d) the fees and allowances that may be paid to the members of a committee other than directors of the Board;

(e) the fees and allowances that may be paid to the directors of the Board;

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(f) the periods for which, the times at which and the manner in which premium may be paid by an insured bank;

(g) the interest which may be charged from an insured bank where it makes default in payment of premium;

(h) the manner in which and the time within which the amounts referred to in section 21 may be paid;

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(i) the form and the manner in which the balance-sheet and the accounts of the Corporation shall be prepared or maintained; and

(j) any other matter which is to be, or may be, prescribed.

5 (3) Any regulation which may be made by the Board under this Act may be made by the Reserve Bank within three months of the establishment of the Corporation; and any regulation so made may be altered or rescinded by the Board in the exercise of its powers under this Act.

10 51. The enactments specified in the Second Schedule to this Act shall be amended in the manner provided therein.

Amendment  
of certain  
enactments.

## THE FIRST SCHEDULE

(See section 39)

### *Declaration of fidelity and secrecy*

15 I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, auditor, officer or other employee (as the case may be) of the Deposit Insurance Corporation and which properly relate to the office or position held by me in the said Corporation.

20 I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Deposit Insurance Corporation or to the affairs of any person having any dealing with the said Corporation; nor will I allow any such person to inspect or have  
25 access to any books or documents belonging to or in the possession of the Deposit Insurance Corporation and relating to the business of the said Corporation or the business of any person having any dealing with the said Corporation.

(Signature.)

Signed before me.

## THE SECOND SCHEDULE

(See section 51)

*Amendment of certain enactments*

## PART I

## AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

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(2 OF 1934)

*Amendments*

1. In section 2, after clause (bb), insert the following clause, namely:—

‘(bbb) “Deposit Insurance Corporation” means the Deposit Insurance Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961’.

2. In section 17,—

(a) after clause (4C), insert the following clause, namely:—

“(4D) the making to the Deposit Insurance Corporation of loans and advances; and generally assisting the Corporation in such manner and on such terms as may be determined by the Central Board.”;

(b) in clause (8A), after “the capital of”, insert “the Deposit Insurance Corporation”.

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## PART II

## AMENDMENTS TO THE BANKING COMPANIES ACT, 1949

(10 OF 1949)

*Amendments*

- 5 1. In section 5, after clause (f), insert the following clause, namely:—

‘(ff) “Deposit Insurance Corporation” means the Deposit Insurance Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961;’.

- 10 2. In section 43A,—

(i) in sub-section (6), for “the foregoing provisions”, substitute “the provisions of this section”;

(ii) after sub-section (8), insert the following sub-sections, namely:—

- 15 “(9) Nothing contained in sub-sections (2), (3), (4), (7) and (8) shall apply to a banking company in respect of the depositors of which the Deposit Insurance Corporation is liable under section 16 of the Deposit Insurance Corporation Act, 1961.

- 20 (10) After preferential payments referred to in sub-section (1) have been made or adequate provision has been made in respect thereof, the remaining assets of the banking company referred to in sub-section (9) available for payment to general creditors shall be  
25 utilised for payment on *pro rata* basis of the debts of the general creditors and of the sums due to the depositors:

- Provided that where any amount in respect of any deposit is to be paid by the liquidator to the Deposit Insurance Corporation under section 21 of the Deposit Insurance Corporation Act, 1961, only the balance, if any, left after  
30 making the said payment shall be payable to the depositor.”.

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**PART III****AMENDMENTS TO THE INDUSTRIAL DISPUTES ACT, 1947****(14 OF 1947)**

In section 2, in sub-clause (i) of clause (a), after “to an industrial dispute concerning” insert “the Deposit Insurance Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961, or”.

## STATEMENT OF OBJECTS AND REASONS

The question of establishing a statutory Corporation for insuring deposits in commercial banks has been under consideration for some time. Various suggestions or proposals in this connection, including the recommendations made by the Shroff Committee on finance for the private sector which reported in 1954, have been examined in consultation with the Reserve Bank and the representatives of the commercial banks, and it is now considered desirable that the scheme should be implemented at a very early date.

2. The Deposit Insurance Corporation will be established as a wholly-owned subsidiary of the Reserve Bank with a paid-up capital of a crore of rupees. It will insure all deposits in commercial banks including the State Bank and its subsidiaries, other than the deposits belonging to the Central Government or to a State or foreign Government or to the insured banks. The limit of the insurance cover will be Rs. 1,500 but this limit may be raised by the Corporation with the previous approval of the Central Government. The premium rate will be determined by the Corporation from time to time with the previous approval of the Central Government. The maximum rate for which provision is being made in the Bill is 15 naye paise per hundred rupees per annum.

3. The Corporation's liability will arise and be discharged in the event of the liquidation of a bank or the enforcement in relation to it of a scheme of compromise or arrangement or reconstruction or amalgamation. The payments due to the depositors up to the limit of the insurance cover offered by the Corporation will be made in the most convenient and expeditious manner which may be possible.

4. The Bill is intended to give effect to these proposals. The notes on clauses explain in detail the various provisions contained in the Bill.

NEW DELHI;  
The 21st August, 1961.

MORARJI DESAI.

*Notes on clauses*

*Clause 2.*—This clause defines the various expressions used in the Bill. A banking company for the purposes of this Bill will include the State Bank of India and its statutory subsidiaries, but will exclude the Madras Industrial Investment Corporation Ltd., which although it is technically a banking company as defined in the Banking Companies Act performs actually the functions of a State Financial Corporation.

A deposit for the purposes of the insurance scheme has been defined as the aggregate amount of all the unpaid balances due to a depositor, but excludes deposits received outside India and amounts due to the Central Government or to a State or foreign Government or to an insured bank.

A definition of a defunct banking company has been inserted in sub-clause (f) of this clause in order to exclude from the scheme of insurance banking companies which do not function normally. "Existing banking companies" as defined in clause 2(h) will include all banking companies which may be functioning normally on the date on which the Act comes into force and new banking companies will be any new banking companies which may be established thereafter. Attention is invited in this connection to the provisions of clauses 10 and 11, in accordance with which all existing banking companies and also all new banking companies will have to be registered by the Corporation.

*Clause 3.*—This clause provides for the establishment of the Corporation.

*Clause 4.*—This clause provides for the authorised and paid-up capital of the Corporation. The authorised capital will be Rs. 1 crore, the whole of which will be paid-up and will be fully allotted to the Reserve Bank.

*Clauses 5 and 6.*—These clauses provide for the constitution of a Board of directors to direct and manage the affairs of the Corporation. The Governor of the Reserve Bank will be the Chairman of the Board and the four other members will be a Deputy Governor



nominated by the Reserve Bank, an officer of the Central Government nominated by that Government, and two non-officials with suitable qualifications and experience, who will also be nominated by the Central Government.

Clause 6 also provides that the non-official directors nominated by the Central Government should not be actively connected with any insured bank.

*Clauses 7 to 9.*—These clauses provide for the manner in which meetings of the Board may be held, the constitutions of an Executive Committee and of such other committees as may be necessary, and the payment of fees and allowances to the members of the Board and the committees.

*Clauses 10 and 11.*—These clauses provide that every banking company which may be functioning normally on the commencement of the Act shall be registered as an insured bank within thirty days of such commencement and that every new banking company formed after such commencement shall be registered likewise within thirty days of the grant of a licence to it or its notification for the purposes of the Banking Companies Act, as the case may be.

*Clause 12.*—This clause provides that any banking company which may not be functioning normally at the time of the commencement of the Act shall be registered as an insured institution if it begins to function normally at any subsequent stage.

*Clause 13.*—This clause provides for the cancellation of the registration, if a bank ceases to function normally or independently at any time in future.

*Clause 14.*—This clause provides that intimation of the registration shall be sent to every insured bank.

*Clause 15.*—This clause provides for the payment of a premium by the insured banks. The actual amount of the premium will be determined by the Corporation with the previous approval of the Central Government from time to time, but the maximum rate is not to exceed 15 naye paise per hundred rupees per annum.

*Clause 16.*—This clause deals with the liability of the Corporation in respect of the insured deposits. The deposits will be insurable up to a sum of Rs. 1,500 in the case of each individual depositor, but this limit may, if necessary, be raised by the Corporation

at any later stage, after obtaining the previous approval of the Central Government. The Corporation's liability up to the limit of the insurance cover offered by it will arise and be discharged in the event of the liquidation of a bank or the enforcement in relation to it of a scheme of compromise or arrangement or reconstruction or amalgamation. The liability in the event of the liquidation of an insured bank will be for the payment of the sums due to a depositor up to the limit of the insurance cover offered by the Corporation, but in the event of the enforcement of a scheme in relation to any insured bank, the liability will be limited to the difference between the amounts payable under the scheme and the amount up to which insurance cover is for the time being offered.

*Clauses 17 to 21.*—These clauses deal with the manner in which the Corporation's liability is to be discharged and for the subsequent reimbursement to the Corporation of any amounts paid by it. Provision has been made for payments directly to the depositors, in case this proves to be either necessary or desirable.

The liquidator in the event of a winding up or the reconstructed or transferee bank in case any scheme has been sanctioned and brought into force will be required to pay to the Corporation, instead of to the depositors concerned, any sums which may become due for disbursement to such depositors individually after the Corporation has discharged its liability to them. These repayments to the Corporation will be authorised, notwithstanding anything to the contrary in any other law, and will be made until the amounts disbursed by the Corporation to, or on account of, the depositors have been repaid in full.

*Clauses 22 to 27.*—These clauses provide for the constitution and maintenance of a Deposit Insurance Fund for meeting the liabilities of the Corporation on account of insured deposits and of a General Fund to account for the receipts and disbursements other than those attributable to the Deposit Insurance Fund.

The Deposit Insurance Fund will be built up from the premium payments made by the insured banks under clause 15, but in the event of a deficiency in that fund for meeting the liabilities which may have to be met from it, a temporary transfer to the fund may be made from the General Fund, or a sum not exceeding Rs. 5 crores may be obtained by the Corporation for the purposes of the Deposit Insurance Fund from the Reserve Bank on such terms as may be approved by the Central Government.

*Clauses 28 to 32.*—These clauses provide for the maintenance and audit of the accounts of the Corporation and the preparation of a balance sheet and annual report. In view of the exemption from taxation which is available to the Deposit Insurance Corporation in the United States and on the analogy of the exemption of new industrial undertakings from income-tax under the provisions of section 15C of the Income-tax Act, the Corporation has been exempted from income and super taxes in respect of its income, profits or gains in the first five accounting years, but its entire disposable income in its General Fund will during this period be credited to one or more reserve funds.

*Clause 33.*—This clause provides for the appointment of the Corporation's staff and also for the services of the officers or other employees of the Reserve Bank to be made available to the Corporation to the extent to which this may be necessary.

*Clauses 34 to 38.*—These clauses provide for returns and information from the insured banks and for the exchange of information as between the Corporation and the Reserve Bank. Provision has been made in clause 36 for a special inspection of any insured bank by the Reserve Bank at the instance of the Corporation.

*Clauses 39 to 42.*—These clauses contain the usual provisions as regards the fidelity of the directors, indemnity and protection in respect of action taken under the Act, the validation of such action and secrecy in respect of the information obtained by the Corporation.

*Clause 44.*—This clause provides that the Corporation shall not be taken in liquidation except under the orders of the Central Government. The balance in the Deposit Insurance Fund, in the event of the liquidation, is intended to be distributed among the insured banks.

*Clause 45.*—This clause provides for directions being issued to the Corporation in case this becomes necessary or desirable.

*Clauses 46 to 49.*—These clauses contain provisions for the determination of any dispute as regards the payment of premium, penalties for the infringement of the provisions of the Act and cognizance of offences.

*Clause 50.*—This clause provides for regulations to be framed by the Corporation with the approval of the Reserve Bank for carrying out the provisions of the Act.

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*The First Schedule.*—This Schedule contains the form of the declaration as to fidelity and secrecy which is to be made by the directors and auditors and employees of the Corporation and is based on the corresponding provision in the State Bank of India Act, 1955 and the State Bank of India (Subsidiary Banks) Act, 1959.

*The Second Schedule.*—This Schedule contains the consequential amendments to the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the Industrial Disputes Act, 1947. The amendments to the Reserve Bank of India Act are for the purpose of enabling the Reserve Bank to invest in the share capital of the Corporation and to grant loans to it. The amendments to the Banking Companies Act are for the purpose of modifying the procedure in liquidation so as to conform to the provisions of the present Bill. The amendments to the Industrial Disputes Act are intended to clarify the position that the Central Government will be the appropriate Government in relation to the Deposit Insurance Corporation for the purposes of that Act.

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 50 empowers the Board of directors to make regulations to carry out the purposes of the Act. That clause also empowers the Reserve Bank to make the first regulations. The matters in respect of which regulations may be made have been specified in that clause. They relate, *inter alia*, to the times and places of the meetings of the Board or of any committee constituted under the Act, the procedure to be followed at such meetings, the number of directors constituting an Executive Committee and the functions that Committee or any other committee may discharge, the fees and allowances payable to directors and members of a committee, the periods for which, the times at which and the manner in which premium may be paid, and the form and the manner in which the balance-sheet and the accounts of the Corporation may be prepared or maintained. Thus the matters in respect of which regulations may be made are matters of procedure or detail and the delegation is of a normal character.

2. Under clause 15(1) power is conferred on the Board to fix rate of premium payable by an insured bank, subject to a ceiling of fifteen naye paise per annum per hundred rupees. It is not possible to specify the rate in the Act, as the rate may vary from time to time depending upon certain factors such as the amount of premium collected and remaining unutilised.

3. Under clause 16(1) power is conferred on the Corporation to raise the limit of insurance cover. Certain criteria for raising such limit are laid down in that section. It is not possible to visualise at this stage to what extent this limit will be raised.

4. Having regard to the circumstances under which powers under clauses 15(1) and 16(1) will be exercisable by the Board, the powers delegated to it are of a normal character.

\*BILL No. 56 OF 1961

*A Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 1961-62.*

BE it enacted by Parliament in the Twelfth Year of the Republic of India as follows:—

Short title.      1. This Act may be called the Appropriation (No. 4) Act, 1961.

Issue of Rs. 14,53,94,000 out of the Consolidated Fund of India for the year 1961-62.      2. From and out of the Consolidated Fund of India there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate to the sum of fourteen crores, fifty-three lakhs and ninety four thousand rupees towards defraying the several charges which will come in course of payment during the financial year 1961-62 in respect of the services specified in column 2 of the Schedule.      5  
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Appropriation.      3. The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

\*The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, read with article 115 thereof, recommended to Lok Sabha the introduction and consideration of the Bill.

**THE SCHEDULE**  
(See sections 2 and 3)

5	No. of Vote	2 Services and purposes	3 Sums not exceeding		Total
			Voted by Parliament	Charged on the Consoli- dated Fund	
			Rs.	Rs.	Rs.
10	12	Defence Services, Non-effective Charges		4,000	4,000
	18	External Affairs	1,56,15,000	..	1,56,15,000
15	32	Miscellaneous Departments and Other Expenditure under the Ministry of Finance	1,000	..	1,000
	34	Grants-in-aid to States	1,000	..	1,000
	42	Miscellaneous Departments and Other Expenditure under the Ministry of Food and Agriculture	5,50,00,000	..	5,50,00,000
20	61	Ministry of Information and Broadcasting	75,000	..	75,000
	73	Miscellaneous Expenditure under the Ministry of Law	3,01,000	..	3,01,000
25	75	Expenditure on Displaced Persons and Minorities	..	87,000	87,000
	85	Miscellaneous Departments and Other Expenditure under the Ministry of Steel, Mines and Fuel	2,75,00,000	..	2,75,00,000
30	111	Defence Capital Outlay	..	9,000	9,000
		<i>Repayment of Debt</i>	..	1,000	1,000
	132	Capital Outlay of the Ministry of Steel, Mines and Fuel	4,58,00,000	..	4,58,00,000
35	138	Delhi Capital Outlay	..	10,00,000	10,00,000
		<b>TOTAL</b>	<b>14,42,93,000</b>	<b>11,01,000</b>	<b>14,53,94,000</b>

### STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114(1) of the Constitution of India, read with article 115 thereof, to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the supplementary expenditure charged on the Consolidated Fund of India and the grants made by the Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year 1961-62.

MORARJI DESAI.

NEW DELHI.

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M. N. KAUL,  
*Secretary.*